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(Original Signature of Member)

107TH CONGRESS
2^D SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. DUNCAN (for himself and Mr. DEFAZIO) introduced the following bill;
which was referred to the Committee on _____

A BILL

To amend the Federal Water Pollution Control Act to authorize appropriations for State water pollution control revolving funds, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) IN GENERAL.—This Act may be cited as the
5 “Water Quality Financing Act of 2002”.

6 (b) TABLE OF CONTENTS.—



Sec. 1. Short title; table of contents.

TITLE I—FINANCING WATER QUALITY IMPROVEMENTS

Sec. 101. Amendment of Federal Water Pollution Control Act.

Subtitle A—Technical and Management Assistance

Sec. 111. Technical assistance.

Sec. 112. State management assistance.

Subtitle B—State Water Pollution Control Revolving Funds

Sec. 121. General authority for capitalization grants.

Sec. 122. Capitalization grant agreements.

Sec. 123. Water pollution control revolving loan funds.

Sec. 124. Allotment of funds.

Sec. 125. Intended use plan.

Sec. 126. Annual Federal oversight review.

Sec. 127. Technical assistance.

Sec. 128. Authorization of appropriations.

Subtitle C—General Provisions

Sec. 151. Definition of treatment works.

Sec. 152. Funding for Indian programs.

TITLE II—PRESERVATION OF REPORTING REQUIREMENTS

Sec. 201. Preservation of reporting requirements.

TITLE III—TAX PROVISIONS

Sec. 301. Bonds for water and sewage facilities exempt from volume cap on private activity bonds.

Sec. 302. Amounts from certain Federal revolving funds not treated as bond proceeds or replacement for bond proceeds for purposes of arbitrage bond rules.

1 **TITLE I—FINANCING WATER**

2 **QUALITY IMPROVEMENTS**

3 **SEC. 101. AMENDMENT OF FEDERAL WATER POLLUTION**

4 **CONTROL ACT.**

5 Except as otherwise expressly provided, whenever in

6 this title an amendment or repeal is expressed in terms

7 of an amendment to, or repeal of, a section or other provi-

8 sion, the reference shall be considered to be made to a



1 section or other provision of the Federal Water Pollution
2 Control Act (33 U.S.C. 1251 et seq.).

3 **Subtitle A—Technical and**
4 **Management Assistance**

5 **SEC. 111. TECHNICAL ASSISTANCE.**

6 (a) TECHNICAL ASSISTANCE FOR RURAL AND SMALL
7 TREATMENT WORKS.—Section 104(b) (33 U.S.C.
8 1254(b)) is amended—

9 (1) by striking “and” at the end of paragraph
10 (6);

11 (2) by striking the period at the end of para-
12 graph (7) and inserting “; and”; and

13 (3) by adding at the end the following:

14 “(8) make grants to nonprofit organizations to
15 provide technical assistance to rural and small mu-
16 nicipalities for the purpose of assisting, in consulta-
17 tion with the State in which the assistance is pro-
18 vided, such municipalities to plan, develop, and gain
19 financing for wastewater infrastructure assistance;

20 “(9) make grants to nonprofit organizations to
21 provide technical assistance and training to rural
22 and small publicly owned treatment works and de-
23 centralized wastewater treatment systems to enable
24 such treatment works and systems to protect water



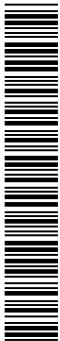
1 quality and achieve and maintain compliance with
2 the requirements of this Act; and

3 “(10) make grants to nonprofit organizations to
4 disseminate information to rural municipalities,
5 small municipalities, and municipalities that meet
6 the affordability criteria established under section
7 603(i)(2) by the State in which the municipality is
8 located with respect to planning, design, construc-
9 tion, and operation of publicly owned treatment
10 works and decentralized wastewater treatment sys-
11 tems.”.

12 (b) AUTHORIZATION OF APPROPRIATIONS.—Section
13 104(u) (33 U.S.C. 1254(u)) is amended—

14 (1) by striking “and (6)” and inserting “(6)”;
15 and

16 (2) by inserting before the period at the end the
17 following: “(7) not to exceed \$75,000,000 for each
18 of fiscal years 2003 through 2007 for carrying out
19 subsections (b)(3), (b)(8), (b)(9), and (b)(10), ex-
20 cept that not less than 20 percent of the amounts
21 appropriated pursuant to this paragraph in a fiscal
22 year shall be used for carrying out subsections
23 (b)(8), (b)(9), and (b)(10)”.



1 (c) COMPETITIVE PROCEDURES FOR AWARDING
2 GRANTS.—Section 104 (33 U.S.C. 1254(b)) is amended
3 by adding at the end the following:

4 “(v) COMPETITIVE PROCEDURES FOR AWARDING
5 GRANTS.—The Administrator shall establish procedures
6 that, to the maximum extent practicable, promote com-
7 petition and openness in the award of grants to nonprofit
8 private agencies, institutions, and organizations under this
9 section.”.

10 **SEC. 112. STATE MANAGEMENT ASSISTANCE.**

11 Section 106(a) (33 U.S.C. 1256(a)) is amended—

12 (1) by striking “and” at the end of paragraph
13 (1);

14 (2) by striking the semicolon at the end of
15 paragraph (2) and inserting “; and”; and

16 (3) by inserting after paragraph (2) the fol-
17 lowing:

18 “(3) such sums as may be necessary for each
19 of fiscal years 1991 through 2002, and
20 \$250,000,000 for each of fiscal years 2003 through
21 2007;”.



1 **Subtitle B—State Water Pollution**
2 **Control Revolving Funds**

3 **SEC. 121. GENERAL AUTHORITY FOR CAPITALIZATION**
4 **GRANTS.**

5 Section 601(a) (33 U.S.C. 1381(a)) is amended by
6 striking “for providing assistance” and all that follows
7 through the period at the end and inserting the following:
8 “to accomplish the objectives, goals, and policies of this
9 Act by providing assistance for projects and activities
10 identified in section 603(c).”.

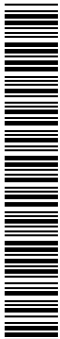
11 **SEC. 122. CAPITALIZATION GRANT AGREEMENTS.**

12 (a) REQUIREMENTS FOR CONSTRUCTION OF TREAT-
13 MENT WORKS.—Section 602(b)(6) (33 U.S.C.
14 1382(b)(6)) is amended—

15 (1) by striking “before fiscal year 1995”; and
16 (2) by striking “201(b)” and all that follows
17 through “513” and inserting “211, 218, and
18 511(c)(1)”.

19 (b) REPORTING INFRASTRUCTURE ASSETS.—Section
20 602(b)(9) (33 U.S.C. 1382(b)(9)) is amended by striking
21 “standards” and inserting “standards, including stand-
22 ards relating to the reporting of infrastructure assets”.

23 (c) ADDITIONAL REQUIREMENTS.—Section 602(b)
24 (33 U.S.C. 1382(b)) is amended—



1 (1) by striking “and” at the end of paragraph
2 (9);

3 (2) by striking the period at the end of para-
4 graph (10) and inserting a semicolon; and

5 (3) by adding at the end the following:

6 “(11) the State will establish, maintain, invest,
7 and credit the fund with repayments, such that the
8 fund balance will be available in perpetuity for pro-
9 viding financial assistance in accordance with this
10 title;

11 “(12) any fees charged by the State to recipi-
12 ents of assistance will be deposited in the fund for
13 the sole purpose of financing the cost of admin-
14 istering the fund;

15 “(13) beginning in fiscal year 2004, the State
16 will include as a condition of providing assistance
17 under section 603(c)(1) that the recipient of such
18 assistance—

19 “(A) conduct a physical and operational
20 analysis of any system proposed for repair, re-
21 placement, or expansion;

22 “(B) study and evaluate the cost and effec-
23 tiveness of innovative and alternative processes,
24 materials, and techniques for carrying out
25 projects and activities eligible for such assist-

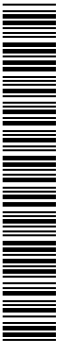


1 ance under section 603(c), and select, to the ex-
2 tent practicable, projects and activities that
3 more efficiently use energy and natural and fi-
4 nancial resources or provide greater environ-
5 mental benefits;

6 “(C) analyze the cost and effectiveness of
7 alternative management and financing ap-
8 proaches (including rate structures, issuance of
9 bonds, restructuring, regional alternatives, con-
10 solidation, and public-private partnerships) for
11 carrying out a project or activity for which as-
12 sistance is provided under this title, taking into
13 account the cost of operating and maintaining
14 the project or activity over its life, as well as
15 the cost of constructing the project or activity;
16 and

17 “(D) develop and implement a plan for
18 maintaining, repairing, and, as necessary, re-
19 placing any infrastructure to be constructed
20 with assistance under this title, and for funding
21 such maintenance, repair, and replacement;

22 “(14) the State will not provide assistance
23 under this title for the construction of publicly
24 owned treatment works unless the recipient of such
25 assistance has adopted or will adopt a system of



1 charges or dedicated ad valorem taxes sufficient to
2 pay, at a minimum, the costs of operation and main-
3 tenance (including replacement) of any wastewater
4 service provided by the recipient, and will otherwise
5 comply with section 204(b)(1);

6 “(15) the State will not provide assistance
7 under this title for the construction of publicly
8 owned treatment works unless the recipient of such
9 assistance has the legal, institutional, managerial,
10 and financial capability to ensure adequate construc-
11 tion, operation, and maintenance of treatment works
12 throughout the recipient’s jurisdiction; and

13 “(16) the State will use at least 15 percent of
14 the amount of each capitalization grant received by
15 the State under this title after September 30, 2003,
16 to provide assistance to municipalities of fewer than
17 20,000 individuals that meet the affordability cri-
18 teria established by the State under section
19 603(i)(2) for activities included on the State’s pri-
20 ority list established under section 603(g), to the ex-
21 tent that there are sufficient applications for such
22 assistance.”.



1 **SEC. 123. WATER POLLUTION CONTROL REVOLVING LOAN**
2 **FUNDS.**

3 (a) PROJECTS AND ACTIVITIES ELIGIBLE FOR AS-
4 SISTANCE.—Section 603(c) (33 U.S.C. 1383(c)) is amend-
5 ed to read as follows:

6 “(c) PROJECTS AND ACTIVITIES ELIGIBLE FOR AS-
7 SISTANCE.—The amounts of funds available to each State
8 water pollution control revolving fund shall be used only
9 for providing financial assistance—

10 “(1) to any municipality, intermunicipal, inter-
11 state, or State agency for construction of publicly
12 owned treatment works;

13 “(2) for the implementation of a management
14 program established under section 319;

15 “(3) for development and implementation of a
16 conservation and management plan under section
17 320;

18 “(4) for the implementation of lake protection
19 programs and projects under section 314;

20 “(5) for decentralized wastewater treatment
21 systems that treat domestic sewage;

22 “(6) for measures to reduce municipal
23 stormwater runoff;

24 “(7) for measures to reduce the demand for
25 publicly owned treatment works capacity through
26 water conservation;



1 “(8) for measures to increase the security of
2 publicly owned treatment works; and

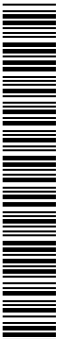
3 “(9) for the development and implementation of
4 watershed projects meeting the criteria set forth in
5 section 121.”.

6 (b) EXTENDED REPAYMENT PERIOD.—Section
7 603(d)(1) (33 U.S.C. 1383(d)(1)) is amended—

8 (1) in subparagraph (A) by inserting after “20
9 years” the following: “or, in the case of a munici-
10 pality that meets the affordability criteria estab-
11 lished under section 603(i)(2) by the State in which
12 the municipality is located, the lesser of 30 years or
13 the design life of the project to be financed with the
14 proceeds of the loan”; and

15 (2) in subparagraph (B) by striking “not later
16 than 20 years after project completion” and insert-
17 ing “upon the expiration of the term of the loan”.

18 (c) ADMINISTRATIVE EXPENSES.—Section 603(d)(7)
19 (33 U.S.C. 1383(d)(7)) is amended by inserting before the
20 period at the end the following: “, \$400,000 per year, or
21 $\frac{1}{5}$ percent per year of the current valuation of the fund,
22 whichever amount is greatest, plus the amount of any fees
23 collected by the State for such purpose”.



1 (d) TECHNICAL AND PLANNING ASSISTANCE FOR
2 SMALL SYSTEMS.—Section 603(d) (33 U.S.C. 1383(d)) is
3 amended—

4 (1) by striking “and” at the end of paragraph
5 (6);

6 (2) by striking the period at the end of para-
7 graph (7) and inserting “; and”; and

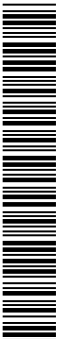
8 (3) by adding at the end the following:

9 “(8) to provide to small treatment works (as
10 defined in section 607) technical and planning as-
11 sistance and assistance in financial management,
12 user fee analysis, budgeting, capital improvement
13 planning, facility operation and maintenance, repair
14 schedules, and other activities to improve wastewater
15 treatment plant management and operations; except
16 that such amounts shall not exceed 2 percent of
17 grant awards to such fund under this title.”.

18 (e) ADDITIONAL SUBSIDIZATION.—Section 603 (33
19 U.S.C. 1383) is amended by adding at the end the fol-
20 lowing:

21 “(i) ADDITIONAL SUBSIDIZATION.—

22 “(1) IN GENERAL.—In any case in which a
23 State provides assistance under subsection (d), the
24 State may provide additional subsidization, including
25 forgiveness of principal and negative interest loans,



1 for projects and activities eligible for assistance
2 under section 603(c)(1)—

3 “(A) to benefit a municipality that meets
4 the State’s affordability criteria established
5 under paragraph (2);

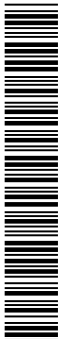
6 “(B) to benefit a municipality that does
7 not meet the State’s affordability criteria if the
8 recipient—

9 “(i) seeks additional subsidization to
10 benefit individual ratepayers in the resi-
11 dential user rate class;

12 “(ii) demonstrates to the State that
13 such ratepayers will experience a signifi-
14 cant hardship from the increase in rates
15 necessary to finance the activity; and

16 “(iii) ensures, as part of an assistance
17 agreement between the State and the re-
18 cipient, that the additional subsidization
19 provided under this paragraph is directed
20 through a user charge rate system (or
21 other appropriate method) to such rate-
22 payers; or

23 “(C) to implement alternative processes,
24 materials, and techniques (including non-
25 structural protection of surface waters, new or



1 improved methods of waste treatment, and pol-
2 lutant trading) that may result in cost savings
3 or increased environmental benefit when com-
4 pared to standard processes, materials, and
5 techniques.

6 “(2) AFFORDABILITY CRITERIA.—

7 “(A) ESTABLISHMENT.—On or before Sep-
8 tember 30, 2003, and after providing notice
9 and an opportunity for public comment, a State
10 shall establish affordability criteria to assist in
11 identifying municipalities that would experience
12 a significant hardship raising the revenue nec-
13 essary to finance a project or activity eligible
14 for assistance under section 603(c)(1) if addi-
15 tional subsidization is not provided. Such cri-
16 teria shall be based on income data, population
17 trends, and other data determined relevant by
18 the State.

19 “(B) EXISTING CRITERIA.—If a State has
20 previously established, after providing notice
21 and an opportunity for public comment, afford-
22 ability criteria that meet the requirements of
23 subparagraph (A), the State may use the cri-
24 teria for the purposes of this subsection. For
25 purposes of this Act, any such criteria shall be



1 treated as affordability criteria established
2 under this paragraph.

3 “(C) INFORMATION TO ASSIST STATES.—

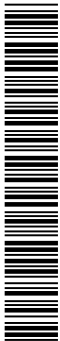
4 The Administrator may publish information to
5 assist States in establishing affordability cri-
6 teria under subparagraph (A).

7 “(3) PRIORITY.—A State may give priority to a
8 recipient for a project or activity eligible for funding
9 under section 603(c)(1) if the recipient meets the
10 State’s affordability criteria.

11 “(4) SET-ASIDE.—

12 “(A) IN GENERAL.—In any fiscal year in
13 which the Administrator has available for obli-
14 gation more than \$1,400,000,000 for the pur-
15 poses of this title, a State shall provide addi-
16 tional subsidization under this subsection in the
17 amount specified in subparagraph (B) to eligi-
18 ble entities described in paragraph (1) for
19 projects and activities identified in the State’s
20 intended use plan prepared under section
21 606(c) as projects and activities to be sup-
22 ported, to the extent that there are sufficient
23 applications for such assistance.

24 “(B) AMOUNT.—In a fiscal year described
25 in subparagraph (A), a State shall set aside for



1 purposes of subparagraph (A) an amount not
2 less than 25 percent of the difference
3 between—

4 “(i) the total amount that would have
5 been allotted to the State under section
6 604 for such fiscal year if the amount
7 available to the Administrator for obliga-
8 tion under this title for such fiscal year
9 had been equal to \$1,400,000,000; and

10 “(ii) the total amount allotted to the
11 State under section 604 for such fiscal
12 year.

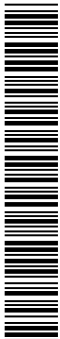
13 “(5) LIMITATION.—The total amount of addi-
14 tional subsidization provided under this subsection
15 by a State may not exceed 30 percent of the total
16 amount of capitalization grants received by the State
17 under this title in fiscal years beginning after Sep-
18 tember 30, 2002.”.

19 **SEC. 124. ALLOTMENT OF FUNDS.**

20 (a) IN GENERAL.—Section 604(a) (33 U.S.C.
21 1384(a)) is amended to read as follows:

22 “(a) ALLOTMENTS.—

23 “(1) FISCAL YEARS 2002 AND 2003.—Sums ap-
24 propriated to carry out this title for each of fiscal



1 years 2002 and 2003 shall be allotted by the Admin-
2 istrator in accordance with section 205(c).

3 “(2) FISCAL YEAR 2004 AND THEREAFTER.—
4 Sums appropriated to carry out this title for fiscal
5 year 2004 and each fiscal year thereafter shall be al-
6 lotted by the Administrator as follows:

7 “(A) Amounts up to \$1,350,000,000 shall
8 be allotted in accordance with section 205(c).

9 “(B) Amounts that exceed \$1,350,000,000
10 shall be allotted in accordance with the formula
11 developed by the Administrator under sub-
12 section (d).”.

13 (b) FORMULA.—Section 604 (33 U.S.C. 1384) is
14 amended by adding at the end the following:

15 “(d) FORMULA BASED ON WATER QUALITY
16 NEEDS.—Not later than September 30, 2003, and after
17 providing notice and an opportunity for public comment,
18 the Administrator shall publish an allotment formula
19 based on water quality needs in accordance with the most
20 recent survey of needs developed by the Administrator
21 under section 516(b).”.

22 **SEC. 125. INTENDED USE PLAN.**

23 (a) INTEGRATED PRIORITY LIST.—Section 603(g)
24 (33 U.S.C. 1383(g)) is amended to read as follows:

25 “(g) PRIORITY LIST.—



1 “(1) IN GENERAL.—For fiscal year 2004 and
2 each fiscal year thereafter, a State shall establish or
3 update a list of projects and activities for which as-
4 sistance is sought from the State’s water pollution
5 control revolving fund. Such projects and activities
6 shall be listed in priority order based on the method-
7 ology established under paragraph (2). The State
8 may provide financial assistance from the State’s
9 water pollution control revolving fund only with re-
10 spect to a project or activity included on such list.

11 “(2) METHODOLOGY.—

12 “(A) IN GENERAL.—Not later than 1 year
13 after the date of enactment of this paragraph,
14 and after providing notice and opportunity for
15 public comment, each State (acting through the
16 State’s water quality management agency and
17 other appropriate agencies of the State) shall
18 establish a methodology for developing a pri-
19 ority list under paragraph (1).

20 “(B) PRIORITY FOR PROJECTS AND AC-
21 TIVITIES THAT ACHIEVE GREATEST WATER
22 QUALITY IMPROVEMENT.—In developing the
23 methodology, the State shall seek to achieve the
24 greatest degree of water quality improvement,
25 taking into consideration section 602(b)(5), sec-



1 tion 603(i)(3), and whether such water quality
2 improvements would be realized without assist-
3 ance under this title.

4 “(C) CONSIDERATIONS IN SELECTING
5 PROJECTS AND ACTIVITIES.—In determining
6 which projects and activities will achieve the
7 greatest degree of water quality improvement,
8 the State shall consider—

9 “(i) information developed by the
10 State under sections 303(d) and 305(b);

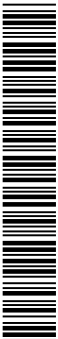
11 “(ii) the State’s continuing planning
12 process developed under section 303(e);
13 and

14 “(iii) the State’s management pro-
15 gram developed under section 319.

16 “(D) EXISTING METHODOLOGIES.—If a
17 State has previously developed, after providing
18 notice and an opportunity for public comment,
19 a methodology that meets the requirements of
20 this paragraph, the State may use the method-
21 ology for the purposes of this subsection.”.

22 (b) INTENDED USE PLAN.—Section 606(c) (33
23 U.S.C. 1386(c)) is amended—

24 (1) in the matter preceding paragraph (1) by
25 striking “each State shall annually prepare” and in-



1 serting “each State (acting through the State’s
2 water quality management agency and other appro-
3 priate agencies of the State) shall annually prepare
4 and publish”;

5 (2) by striking paragraph (1) and inserting the
6 following:

7 “(1) the State’s priority list developed under
8 section 603(g);”;

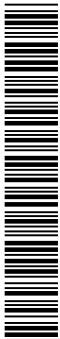
9 (3) by striking “and” at the end of paragraph
10 (4);

11 (4) by striking the period at the end of para-
12 graph (5) and inserting “; and”; and

13 (5) by adding at the end the following:

14 “(6) if the State does not fund projects and ac-
15 tivities in the order of the priority established under
16 section 603(g), an explanation of why such a change
17 in priority is appropriate.”.

18 (c) TRANSITIONAL PROVISION.—Before completion
19 of a priority list based on a methodology established under
20 section 603(g) of the Federal Water Pollution Control Act
21 (as amended by this section), a State shall continue to
22 comply with the requirements of sections 603(g) and
23 606(c) of such Act, as in effect on the day before the date
24 of enactment of this Act.



1 **SEC. 126. ANNUAL FEDERAL OVERSIGHT REVIEW.**

2 Section 606(e) (33 U.S.C. 1386(e)) is amended by
3 adding at the end the following: “In carrying out an over-
4 sight review under this subsection, the Administrator may
5 allow a State to certify, with supporting documentation,
6 its compliance with the requirements of this title.”.

7 **SEC. 127. TECHNICAL ASSISTANCE.**

8 Title VI (33 U.S.C. 1381 et seq.) is amended—

9 (1) by redesignating section 607 as section 608;
10 and

11 (2) by inserting after section 607 the following:

12 **“SEC. 607. TECHNICAL ASSISTANCE.**

13 “(a) ASSISTANCE FOR SMALL TREATMENT
14 WORKS.—

15 “(1) SIMPLIFIED PROCEDURES.—Not later than
16 1 year after the date of enactment of this section,
17 the Administrator shall assist the States in estab-
18 lishing simplified procedures for small treatment
19 works to obtain assistance under this title.

20 “(2) PUBLICATION OF MANUAL.—Not later
21 than 2 years after the date of the enactment of this
22 section, and after providing notice and opportunity
23 for public comment, the Administrator shall publish
24 a manual to assist small treatment works in obtain-
25 ing assistance under this title and publish in the



1 Federal Register notice of the availability of the
2 manual.

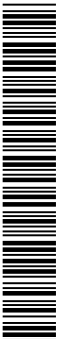
3 “(3) SMALL TREATMENT WORKS DEFINED.—
4 For purposes of this title, the term ‘small treatment
5 works’ means a treatment works for which a munici-
6 pality or intermunicipal, interstate, or State agency
7 seeks assistance under this title and which serves a
8 population of 20,000 or fewer.

9 “(b) ASSISTANCE FOR IMPROVING THE MANAGE-
10 MENT OF WATER QUALITY INFRASTRUCTURE AND IN-
11 CREASING COST-EFFECTIVENESS OF INFRASTRUCTURE
12 IMPROVEMENTS.—At the request of any State, the Admin-
13 istrator shall assist in the development of criteria for a
14 State to determine compliance with the conditions of fund-
15 ing assistance established under section 602(b)(13).”.

16 **SEC. 128. AUTHORIZATION OF APPROPRIATIONS.**

17 Section 608 (as redesignated by section 127 of this
18 Act) is amended by striking paragraphs (1) through (5)
19 and inserting the following:

20 “(1) \$2,000,000,000 for fiscal year 2003;
21 “(2) \$3,000,000,000 for fiscal year 2004;
22 “(3) \$4,000,000,000 for fiscal year 2005;
23 “(4) \$5,000,000,000 for fiscal year 2006; and
24 “(5) \$6,000,000,000 for fiscal year 2007.”.



1 **Subtitle C—General Provisions**

2 **SEC. 151. DEFINITION OF TREATMENT WORKS.**

3 Section 502 (33 U.S.C. 1362) is amended by adding
4 at the end the following:

5 “(21) The term ‘treatment works’ has the
6 meaning given that term in section 212.”.

7 **SEC. 152. FUNDING FOR INDIAN PROGRAMS.**

8 Section 518 (33 U.S.C. 1377) is amended by striking
9 subsection (c) and inserting the following:

10 “(c) RESERVATION OF FUNDS.—

11 “(1) IN GENERAL.—For fiscal year 1987 and
12 each fiscal year thereafter, the Administrator shall
13 reserve, before allotments to the States under sec-
14 tion 604(a), not less than 0.5 percent and not more
15 than 1.5 percent of the funds made available under
16 section 207.

17 “(2) USE OF FUNDS.—Funds reserved under
18 this subsection shall be available only for projects
19 and activities eligible for assistance under section
20 603(c) to serve—

21 “(A) Indian tribes;

22 “(B) former Indian reservations in Okla-
23 homa (as determined by the Secretary of the
24 Interior); and



1 “(C) Native villages (as defined in section
2 3 of the Alaska Native Claims Settlement Act
3 (43 U.S.C. 1602)).”.

4 **TITLE II—PRESERVATION OF**
5 **REPORTING REQUIREMENTS**

6 **SEC. 201. PRESERVATION OF REPORTING REQUIREMENTS.**

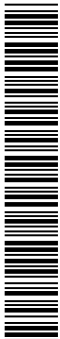
7 Section 3003(a)(1) of the Federal Reports Elimini-
8 nation and Sunset Act of 1995 (31 U.S.C. 1113 note)
9 does not apply to any report required to be submitted
10 under any of the following provisions of law:

11 (1) EXEMPTIONS FROM WATER POLLUTION
12 CONTROL REQUIREMENTS FOR EXECUTIVE AGEN-
13 CIES.—Section 313(a) of the Federal Water Pollu-
14 tion Control Act (33 U.S.C. 1323(a)).

15 (2) GREAT LAKES RESOURCES ON WHICH RE-
16 SEARCH IS NEEDED.—Section 118(d)(2) of the Fed-
17 eral Water Pollution Control Act (33 U.S.C.
18 1268(d)(2)).

19 (3) NATIONAL ESTUARY PROGRAM ACTIVI-
20 TIES.—Section 320(j)(2) of the Federal Water Pol-
21 lution Control Act (33 U.S.C. 1330(j)(2)).

22 (4) COMPREHENSIVE CONSERVATION AND MAN-
23 AGEMENT PLAN FOR LONG ISLAND SOUND.—Section
24 119(c)(7) of the Federal Water Pollution Control
25 Act (33 U.S.C. 1269(c)(7)).



1 (5) IMPLEMENTATION OF GREAT LAKES WATER
2 QUALITY AGREEMENT OF 1978.—Section 118(c)(10)
3 of the Federal Water Pollution Control Act (33
4 U.S.C. 1268(c)(10)).

5 (6) EFFECTS OF POLLUTION ON NATION'S ES-
6 TUARIES.—Section 104(n)(3) of the Federal Water
7 Pollution Control Act (33 U.S.C. 1254(n)(3)).

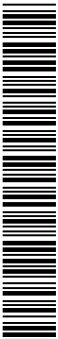
8 (7) NATIONAL REQUIREMENTS AND COSTS OF
9 WATER POLLUTION CONTROL.—Section 516 of the
10 Federal Water Pollution Control Act (33 U.S.C.
11 1375).

12 (8) STATUS OF WATER QUALITY IN UNITED
13 STATES LAKES.—Section 314(a)(3) of the Federal
14 Water Pollution Control Act (33 U.S.C. 1324(a)(3)).

15 (9) STATE REPORTS ON WATER QUALITY OF
16 ALL NAVIGABLE WATERS.—Section 305(b) of the
17 Federal Water Pollution Control Act (33 U.S.C.
18 1315(b)).

19 (10) LEVEL B PLAN ON ALL RIVER BASINS.—
20 Section 209(b) of the Federal Water Pollution Con-
21 trol Act (33 U.S.C. 1289(b)).

22 (11) REPORTS ON CONTRACTS ENTERED INTO
23 RELATING TO PROCUREMENT FROM VIOLATORS OF
24 WATER QUALITY STANDARDS.—Section 508(e) of the



1 Federal Water Pollution Control Act (33 U.S.C.
2 1368(e)).

3 **TITLE III—TAX PROVISIONS**

4 **SEC. 301. BONDS FOR WATER AND SEWAGE FACILITIES EX-**
5 **EMPT FROM VOLUME CAP ON PRIVATE AC-**
6 **TIVITY BONDS.**

7 (a) IN GENERAL.—Paragraph (3) of section 146(g)
8 of the Internal Revenue Code of 1986 (relating to excep-
9 tion for certain bonds) is amended—

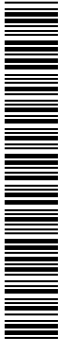
10 (1) by inserting “(4), (5),” after “(2),” and

11 (2) by inserting “facilities for the furnishing of
12 water, sewage facilities,” after “wharves,”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to obligations issued after the date
15 of the enactment of this Act.

16 **SEC. 302. AMOUNTS FROM CERTAIN FEDERAL REVOLVING**
17 **FUNDS NOT TREATED AS BOND PROCEEDS**
18 **OR REPLACEMENT FOR BOND PROCEEDS**
19 **FOR PURPOSES OF ARBITRAGE BOND RULES.**

20 (a) IN GENERAL.—Subsection (a) of section 148 of
21 the Internal Revenue Code of 1986 (defining arbitrage
22 bond) is amended by adding at the end the following: “For
23 purposes of this section, proceeds of an issue, and
24 amounts used to replace proceeds of an issue, shall not
25 include any amount derived from a Federal grant or re-



1 lated State contribution made in connection with a revolv-
2 ing fund established in accordance with title VI of the
3 Federal Water Pollution Control Act or section 1452 of
4 the Safe Drinking Water Act.”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 this section shall apply to obligations issued or out-
7 standing after the date of the enactment of this Act, but
8 shall not apply for purposes of determining the amount
9 of any payment required to be made on or before such
10 date to the United States under section 148 of the Inter-
11 nal Revenue Code of 1986.

